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DEPT OF STATE review(s) completed.

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7 JUN 1946

GENERAL

1. Soviet success in Sinkiang--Ambassador Smith in Moscow calls attention to the success of the Soviets' deliberate and cautious policy in Sinkiang, as contrasted with the international opposition they have encountered in Azerbaijan because of their "precipitate" action.

Smith believes that (a) Nanking will be able to maintain its authority over the Soviet-supported rebels only by instituting "provincial administrative housecleaning and general reform," and (b) US support of such reform is the "most effective way to combat Soviet political expansionism".

2. Soviet efforts in Argentina--Ambassador Smith in Moscow has no doubt that the USSR is doing "everything possible" to ingratiate itself with Argentina and will exploit to the utmost the present strained US-Argentine relations and any future US "misstep". Smith believes that US actions in the next few months "may well determine" whether the US or USSR is to "win out" in Argentina.

EUROPE-AFRICA

3. FRANCE: Bidault's position on German issues strengthened--According to Caffery, Bidault discovered during the recent campaign a broad popular enthusiasm for his Ruhr-Rhineland policy. Caffery believes that Bidault will therefore be "more difficult" on German issues in the future.
4. AUSTRIA: Foreign Minister's views--Austrian Minister Gruber has informed Ambassador Harriman in London that in his opinion: (a) Benes is now reaping the consequences of political concessions made to Moscow in return for the early withdrawal of Soviet troops, and (b) Austria's position has been weakened by the Czechoslovak elections, which have increased Austria's "encirclement by Communist-dominated states."

Gruber emphasized that return of the Tyrol to Austria, regardless of economic considerations, would balance a possible increase

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elsewhere in Austria of Communist and pro-Soviet voters. He indicated Austria's willingness to permit Italian retention of Tyrol power stations and transmission lines with extra-territorial rights.

Gruber believes, following conversations with high Polish officials, that the Soviets will not withdraw their troops from "Eastern and Danubian Europe" for two years. He underlined the seriousness of Soviet infiltration in Austria in the event of such a long occupation..

5. IRAN: Political situation in Azerbaijan--US Consul Tabriz reports that Soviet agents are continuing to "penetrate" the Azerbaijan Government and "Democrat" Party, primarily through high level "tutelage" and control of political security. "Russian types", of whom the majority are "Soviet Caucasians", are continually observed on the streets, and Soviet railroad personnel "have been at least tripled, for no known reason". Neither the US nor British Consul has been able to leave Tabriz by road because of Azerbaijan Army check posts which refuse passage.
6. TRIPOLITANIA: Attitude of Arab League--Minister Tuck has been told by the Secretary General of the Arab League that (a) restoration of Italian authority in Tripolitania would mean a war of "extermination", and (b) the Arabs, while desiring complete independence for Libya, would accept a trusteeship under some small country, such as Lebanon or Denmark, provided the Arab League, "and possibly Egypt", were admitted to the administering authority.

FAR EAST

7. N.E.I.: Status of Indonesian counter-proposals--According to US Consul General Batavia, Indonesian leaders agree that the Dutch "final offer" is "far below expectations", mainly because of its failure to provide for inclusion of Sumatra in the Indonesian Republic (see Daily Summary for 4 June, item 8). Sjahrir is drafting counter-proposals and will forward them to Soekarno for approval before transmitting them to the Dutch. The Consul notes that Sjahrir's position apparently is weakening, Soekarno's growing stronger.

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THE AMERICAS

8. **ECUADOR: New Galapagos agreement possible**--The Minister of Defense has told US Ambassador Scotten informally that Ecuador is financially incapable of maintaining the Galapagos base and might welcome a new agreement whereby US forces would garrison the base under Ecuadoran sovereignty. (The US has agreed to evacuate the base by 1 July in compliance with the formal request of the Ecuadoran Government.) Scotten urges that dismantling of the base be suspended pending consultations among Ecuadoran officials.
9. **PERU: President favors new agreement for Talara base**--President Bustamante has informed US Charge Donnelly of his willingness to sign a new agreement with the US covering the mutual use of El Pato air base (near Talara). The agreement would not become official until approved by the Peruvian Congress.
10. **ARGENTINA: Arms for Dominican Republic**--The State Department has advised Embassy Buenos Aires that (a) representatives of the Dominican Republic may attempt to secure arms from the Peron Administration, but (b) the US considers it imprudent to express opposition to such a move. (Brazil recently supplied the Dominican Republic with a shipment of arms despite US protests.)

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